

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-10 /106 W

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E. O. 11652: ADS, DECLAS 6/30/76

TAGS: EAID, EFIN

SUBJECT: BELGIUM PROPOSAL FOR ADB TO LEND NON-CONVERTIBLE

CURRENCIES

USADB

FOR NAC AGENCIES

PASS TREASURY FOR BUSHNELL/ZINMAN

REF: MANILA 17734

1. REFTEL PARAGRAPH 4 INCLUDED SUMMARY OF ORAL COMMENTS
BY FRENCH DIRECTOR IN BEHALF OF BELGIAN GOVT AT DEC. 16
MEETING OF ADB BOARD OF DIRECTORS.

2. ON DECEMBER 18, FRENCH DIRECTOR SUBMITTED FOLLOWING
MEMORANDUM (USE OF NON-CONVERTIBLE CURRENCY PORTION
IN PAID-IN CAPITAL OF BANK) TO ADB MANAGEMENT AND
DISTRIBUTED COPIES TO ALL DIRECTORS AND ALTERNATES:

QUOTE

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3. IN THE COURSE OF THE BOARD MEETING OF DECEMBER 16
ON THE SUBJECT OF A SECOND GENERAL INCREASE IN THE
BANK'S CAPITAL STOCK, I MADE, INTER ALIA, THE FOLLOWING
STATEMENT:

UNNER QUOTE---LET ME ALSO TURN TO ONE POINT OF SPECIAL
INTEREST TO THE BELGIAN AUTHORITES. THEY WOULD LIKE THE
BANK TO EXPLORE ALL POSSIBILITIES IN ORDER TO MAKE IN
THE FUTURE LENDING OPERATIONS A WIDER AND MORE EFFECTIVE
USE OF THE NON-CONVERTIBLE CURRENCY PORTION IN ITS
PAID-IN CAPITAL AMOUNTING PRESENTLY TO NOT LESS THAN
224 MILLION DOLLARS EQUIVALENT. THAT PORTION CONSISTS
OF THE PROMISSORY NOTES DEPOSITED BY THE DEVELOPING MEMBER
COUNTRIES WITH THE BANK. IF THE LATTER WOULD AGREE TO
A PARTIAL ENCASHMENT OF THESE NOTES, THE BANK COULD LEND
TO ITS BORROWERS NON-CONFERTIBLE CURRENCY INSTEAD OF
FOREIGN EXCHANGE IN MEETING SOME OF THE LOCAL EXPENDITURES.
FURTHERMORE, SUPPLIERS ORIGINATING FROM DEVELOPING MEMBER
COUNTRIES COULD BE PAID TO SOME EXTENT, IN THE CURRENCY
OF THEIR RESPECTIVE HOME COUNTRIES. THE BANK, IN ADOPTING
SUCH POLICY, COULD EXPAND ITS OPERATION WITHOUT PUTTING
HEAVIER STRAIN ON ITS HOLDING OF CONVERTIBLE CURRENCIES.
THE ARGUMENTS AGAINST THE USE OF ITS NON-COVERTIBLE
CURRENCY HOLDING AS SET OUT IN THE DOCUMENT R65-74
("LENDING FOREIGN EXCHANGE FOR LOCAL CURRENCY EXPENDI-
TURES ON PROJECTS") ARE, IN OUR OPINION, FAR FROM
BEING CONVINCING. END INNER QUOTE

4. IT WOULD BE APPRECIATED IF YOU COULD EXPLORE THE
SUGGESTION MADE BY THE BELGIAN AUTHORITIES AND SUBMIT
TO THE BOARD A RELEVANT WORKING PAPER . END QUOTE

5. USADB INTENDS TO SUPPORT BELGIAN GOVT REQUEST FOR
BANK WORKING PAPER ON USE OF NON-CONVERTIBLE
CURRENCIES. USADB WOULD APPRECIATE VIEWS SOONEST.
SULLIVAN

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